

UNITED STATES DISTRICT COURT
DISTRICT OF MINNESOTA

UNITED STATES OF AMERICA,
Plaintiff,

v.

1. ERICVAN ANTHONY MCDavid,
a/k/a "BIG E,"

2. LARRY AFRICANUS HUTCHINSON, and

3. JERONE IAN MITCHELL,

Defendants.

INDICTMENT

CR 10-171 ADM/FLN

(18 U.S.C. § 2)
(18 U.S.C. § 371)
(18 U.S.C. § 981(a)(1)(C))
(18 U.S.C. § 1343)
(28 U.S.C. § 2461(c))

THE UNITED STATES GRAND JURY CHARGES THAT:

INTRODUCTORY ALLEGATIONS

1. At all relevant times, defendants Ericvan Anthony McDavid, a/k/a "Big E," Larry Africanus Hutchinson and Jerone Ian Mitchell were residents of the State of Minnesota.

2. Between 2005 and 2009, McDavid was either an owner or co-owner of several businesses using the names of "EVM Properties" (hereafter "EVM"), "Skyy Realty" (hereafter "Skyy") and "Universal, Inc." (hereafter "Universal"). McDavid was in the business of buying and selling properties, property management, and recruiting investors and property sellers to buy and sell residential properties at inflated prices.

SCANNED

JUN 18 2010

U.S. DISTRICT COURT ST. PAUL

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FILED JUN 15 2010
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3. Between 2005 and 2009, Hutchinson was the owner of several businesses using the names of "LAH Properties" (hereafter "LAH"), and "L & D Mortgage" (hereafter "L&D"), and was an agent for "Unity Realty" (hereafter "Unity"). Hutchinson was in the business of property management.

4. Between 2005 and 2009, Mitchell was the owner of "Infinite Developers" (hereafter "Infinite") and was in the business of construction.

COUNT 1

(18 U.S.C. § 371: Conspiracy to Commit Wire Fraud)

5. From in or about April 2005 through in or about February 2009, in the State and District of Minnesota and elsewhere, the defendants,

ERICVAN ANTHONY MCDAVID,
a/k/a "BIG E,"
LARRY AFRICANUS HUTCHINSON, and
JERONE IAN MITCHELL,

did unlawfully and knowingly conspire, combine, confederate and agree with other persons known and unknown to the grand jury to commit an offense against the United States, that is, to devise a scheme and artifice to defraud and to obtain money by means of material false and fraudulent representations and promises and, for the purpose of executing such scheme, to cause to be transmitted by means of interstate wire certain writings, signs, signals,

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pictures, and sounds, in violation of Title 18, United States Code, Section 1343.

PURPOSE OF THE CONSPIRACY

6. The purpose of the conspiracy was to fraudulently obtain loan proceeds by making materially false representations and promises and withholding material information about the residential property purchases orchestrated by McDavid, Hutchinson, Mitchell and others acting on their behalf.

MANNER AND MEANS

7. Beginning in 2005, McDavid and Hutchinson recruited straw buyers, who generally maintained good credit. McDavid and Hutchinson enticed potential Investors to purchase a home, previously selected by McDavid and Hutchinson, by representing to potential straw buyers that McDavid and Hutchinson would pay the straw buyers between \$15,000 and \$52,000 per transaction.

8. Once a straw purchaser agreed to buy a property, McDavid and Hutchinson, either by themselves, or through unindicted co-conspirators, fraudulently assisted the straw purchaser by producing fraudulent 1003 loan applications, which were then provided to various lenders, for the purpose of loan underwriting. The fraudulent documentation falsely overstated the straw purchaser's assets, income, and nature of employment. The false representations and omissions were material. Based on the

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fraudulent documentation, the proposed loans were approved. These loans totaled in excess of \$14,600,000.

9. Prior to closing on the properties, McDavid, Hutchinson and Mitchell produced fraudulent documentation, including prepaid management fees, construction invoices and non-existent second mortgages. These documents were provided to the lenders and title companies causing disbursements to be made to companies controlled by McDavid, Hutchinson and Mitchell. Without the lenders knowledge, the disbursements were then routed, in part, back to the straw buyers.

10. McDavid and Hutchinson fraudulently also concealed that they provided funds to the straw buyers to be passed off as the straw buyers' own funds to close the transactions, thereby misleading mortgage loan lenders to believe that the straw buyers had a financial stake in the purchased residence and thus incentive to pay the loan.

11. Following the closing of each of these real property transactions, McDavid, Hutchinson and Mitchell, through their companies - directly or indirectly - received a portion of each straw purchaser's mortgage loan proceeds, described in closing documents as "pre-paid management fees," "construction invoice," or "second mortgage payoff." In at least 40 separate real estate transactions, McDavid, Hutchinson and Mitchell secured

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approximately \$1,184,555 in fraudulent payments from the loan proceeds. The fraudulent payments were then distributed, in part, to the straw buyers, McDavid, Hutchinson, Mitchell and other participants in the fraudulent scheme.

12. From in or about April 2005 though in or about February 2009, McDavid, Hutchinson, and Mitchell, with the assistance of others acting at their direction, convinced Investors to purchase approximately 25 residential properties in Minnesota in this manner resulting in fraudulent loans in excess of \$14,600,000 and losses of approximately \$5.8 million.

OVERT ACTS

13. In furtherance of the conspiracy and to achieve its object, all of the above listed defendants committed, directly and through accomplices, among other acts, the following overt acts (which encompass only some of the real estate transactions involved in the conspiracy):

Sale of 6500 Harbor Place, Prior Lake, Minnesota

a. On or about August 24, 2006, a straw purchaser purchased the above mentioned property. An unindicted co-conspirator falsified the loan application by supplying materially false information regarding the straw purchaser's monthly income, and employment position. In addition, fraudulent second mortgage documents were submitted by Mitchell's company, Infinite, in the

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amount of \$125,000. These documents caused Fieldstone Mortgage Company to issue loans in the amount of \$620,000. Although there was no legitimate second mortgage on this property, the title company transferred, by wire, funds the amount of \$71,922.36 to Infinite. On August 25, 2006, Infinite received the funds. Subsequently, on August 29, 2006, Infinite transferred by wire, funds in the amount of \$60,000 to an account in the control of the straw purchaser.

Sale of 13250 Pennsylvania Avenue, Savage, Minnesota

b. On or about November 22, 2006, McDavid, being the purchaser of the property, falsified the loan application by supplying materially false information regarding his monthly income. In addition, a construction invoice was submitted by Mitchell's company, Infinite, in the amount of \$102,354.89, for work to be completed. This caused Southstar Funding, LLC. to issue a loan in the amount of \$852,000. Although no work was done by Infinite, the title company issued a check in the amount of \$102,354.89 to Infinite. On November 24, 2006, this check was deposited into an Infinite account. On November 27, 2006, Infinite made an electronic money transfer in the amount of \$102,354.89 to an account in the control of McDavid.

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Sale of 4310 Windwood Way, Minnetonka, Minnesota

c. On or about April 27, 2007, McDavid, being the purchaser of the property, falsified the loan application by supplying materially false information regarding his monthly income. In addition, a construction invoice was submitted by Hutchinson's company, LAH, in the amount of \$195,000, for work that had allegedly been completed. This caused Minnesota Lending Company to issue a loan in the amount of \$650,000. This also caused American Investor's Bank and Mortgage to issue a loan in the amount of \$100,000. Although no work was done by LAH, the title company transferred, by wire, funds in the amount of \$183,109.18 to LAH. On May 1, 2007, LAH received the funds. Subsequently, on May 1, 2007, LAH issued a check in amount of \$93,000 to an account in the control of McDavid. On May 2, 2007, LAH issued a second check in the amount of \$90,000 to an account in the control of McDavid. All in violation of Title 18, United States Code, Section 371.

COUNTS 2-8

(18 U.S.C. § 1343: Mortgage Fraud through Use of the Interstate Wire)

14. The grand jury re-alleges and incorporates by reference the allegations contained in paragraphs 1 through 13 as though fully stated herein for the purpose of alleging the substantive wire fraud offenses alleged in Counts 2 through 8 below.

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15. On or about the dates set forth below, in the State and District of Minnesota, the defendants,

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JERONE IAN MITCHELL,

along with others known and unknown to the Grand Jury, each aiding and abetting the others, for the purpose of executing the above-described scheme and artifice, did knowingly cause to be transmitted, in interstate commerce, by means of wire communication, certain signals and sounds, as further described below:

Count	On or About Date	Wire Communication
2	August 24, 2006	Wire transfer of \$529,999.44 from Citibank NA in New York to M&I Bank in Wisconsin and then to M&I Bank in Minnesota
3	August 24, 2006	Wire transfer of \$92,479.10 from Citibank NA in New York to M&I Bank in Wisconsin and then to M&I Bank in Minnesota
4	August 25, 2006	Wire transfer of \$71,922.36 from M&I Bank in Wisconsin to Wells Fargo Bank in California with further credit to Wells Fargo Bank in Minnesota
5	November 22, 2006	Wire transfer of \$679,254.57 from US Bank in Wisconsin to US Bank in Minnesota

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6	November 22, 2006	Wire transfer of \$169,962.64 from US Bank in Wisconsin to US Bank in Minnesota
7	April 27, 2007	Wire transfer of \$99,726.10 from United Bankers Bank in Minnesota to M&I Bank in Wisconsin
8	May 1, 2007	Wire transfer of \$183,109.18 from M&I Bank in Wisconsin to CCFCU in Minnesota

all in violation of Title 18, United States Code, Sections 1343 and 2.

FORFEITURE ALLEGATIONS

The Grand Jury realleges and incorporates paragraphs 1 through 15 of the Indictment, and makes it a part of these forfeiture allegations.

As the result of the offenses alleged in Counts 1 through 8 of this Indictment, the defendants,

ERICVAN ANTHONY MCDAVID,
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JERONE IAN MITCHELL,

shall forfeit to the United States pursuant to Title 18, United States Code, Section 981(a)(1)(C), and Title 28, United States Code, Section 2461(c), all their rights, title and interest in any property constituting, or derived from, proceeds traceable to the violations of Title 18, United States Code, Sections 371, 1343, and 2.

A TRUE BILL

UNITED STATES ATTORNEY

FOREPERSON